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of PFLP, who also manages Comcast-Spectacor. In connection with the Sports Venture Acquisition, Comcast-Spectacor assumed the outstanding liabilities relating to the Sixers and the Arenas, including a mortgage obligation of \$155.0 million. The Company accounts for its interest in Comcast-Spectacor under the equity method.

Liquidity and Capital Resources

Cash, Cash Equivalents and Short-term Investments

The Company has traditionally maintained significant levels of cash, cash equivalents and short-term investments to meet its short-term liquidity requirements. Cash, cash equivalents and short-term investments as of September 30, 1997 were \$780.7 million. As of September 30, 1997, \$260.7 million of the Company's cash, cash equivalents and short-term investments was restricted to use by subsidiaries of the Company under contractual or other arrangements, including \$100.5 million which is restricted to use by Comcast UK Cable Partners Limited ("Comcast UK Cable").

The Company's cash equivalents and short-term investments are recorded at cost which approximates their fair value. As of September 30, 1997, short-term investments have a weighted average maturity of approximately 7 months.

Investments

Sprint PCS. The Company, Tele-Communications, Inc. ("TCI"), Cox Communications, Inc. ("Cox") and Sprint Corporation ("Sprint," and together with the Company, TCI and Cox, the "Parents"), and certain subsidiaries of the Parents (the "Partner Subsidiaries"), engage in the wireless communications business through a limited partnership known as "Sprint Spectrum" or "Sprint PCS," a development stage enterprise through June 30, 1997. The Company owns 15% of Sprint PCS and accounts for its investment in Sprint PCS under the equity method.

Under the provisions of the Sprint PCS partnership agreement, the Partner Subsidiaries have committed to contribute \$4.2 billion in cash to Sprint PCS through 1999, of which the Company's share is \$630.0 million. Of this funding requirement, the Company has made total cash contributions to Sprint PCS of \$559.3 million through October 31, 1997. The Company anticipates that Sprint PCS' capital requirements over the next several years will be significant. Requirements in excess of committed capital are planned to be funded by Sprint PCS through external financing, including, but not limited to, vendor financing, bank financing and securities offered to the public. In August 1996, Sprint PCS sold \$750.0 million principal amount at maturity of Senior Notes and Senior Discount Notes due 2006 in a public offering. In October 1996, Sprint PCS closed three credit agreements providing a total of \$5.1 billion in available financing, including \$2.0 billion in bank financing and \$3.1 billion in vendor financing. The timing of the Company's remaining capital contributions to Sprint PCS is dependent upon a number of factors, including Sprint PCS' working capital requirements. The Company anticipates funding its remaining capital commitments to Sprint PCS through its cash flows from operating activities, its existing cash, cash equivalents, short-term investments and lines of credit or other external financing, or by a combination of these sources.

TCGI. Through June 1996, the Company held investments in Teleport Communications Group, Inc. ("TCGI"), TCG Partners and certain local joint ventures (the "Teleport Joint Ventures") managed by TCGI and TCG Partners. TCGI is one of the largest competitive alternative access providers in the United States in terms of route miles. The Company had a 20.0% investment in TCGI and interests in the Teleport Joint Ventures ranging from 12.4% to 20.3%. In June 1996, TCGI sold approximately 27 million shares of its Class A Common Stock (the "TCGI Class A Stock"), for \$16 per share, in an initial public offering (the "TCGI IPO"). In connection with the TCGI IPO, TCGI, the Company and subsidiaries of Cox, TCI and Continental Cablevision ("Continental" and collectively with Cox, TCI and the Company, the "Cable Stockholders") entered into an agreement pursuant to which TCGI was reorganized (the "Reorganization"). The Reorganization consisted of, among other things: (i) the acquisition by TCGI of TCG Partners; (ii) the acquisition by TCGI of additional interests in the Teleport Joint Ventures (including 100% of those interests held by the Company); and (iii) the contribution to TCGI of \$269.0 million aggregate principal amount of indebtedness, plus accrued interest thereon, owed by TCGI to the Cable Stockholders (except that TCI retained a \$26 million subordinated note of TCGI), including \$53.8 million principal amount and \$4.1 million of accrued interest owed to the Company. In connection with the Reorganization, the Company received 25.6 million shares of TCGI's Class B Common Stock (the "TCGI Class B Stock"). Each share of TCGI Class B Stock is entitled to voting power equivalent to ten shares of TCGI Class A Stock and is convertible, at the option of the holder, into one share of TCGI Class A Stock. As a result of the TCGI IPO, the Company recorded a \$40.6 million increase in its proportionate share of TCGI's net assets as a gain from equity offering

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of affiliate (the "TCGI IPO Gain") in its condensed consolidated statement of operations and accumulated deficit for the nine months ended September 30, 1996.

During the three months ended March 31, 1997, the Company received 2.76 million shares of TCGI Class A Stock from TCGI in exchange for the Company's shares of an alternate access provider. In May 1997, the Company sold all of its shares of TCGI Class A Stock for \$68.9 million and recognized a \$68.9 million pre-tax gain (the "TCGI Class A Gain"), which is included in investment income in its condensed consolidated statement of operations and accumulated deficit for the nine months ended September 30, 1997.

As of September 30, 1997, the Company owns TCGI Class B Stock representing a 19.8% voting interest and a 15.5% equity interest. The Company continues to account for its interest in TCGI under the equity method based on its voting interest maintained through the TCGI Class B Stock, its representation on TCGI's board of directors and its participation in a TCGI stockholder agreement granting certain rights to a control group. Assuming conversion of the TCGI Class B Stock held by the Company into TCGI Class A Stock, the Company's investment in TCGI, which had a carrying value of \$123.3 million as of September 30, 1997, would have a fair value of approximately \$1.239 billion, based on the quoted market price of the TCGI Class A Stock as of October 31, 1997.

Roll-up of Primestar's Operations. In June 1997, the Company entered into a binding letter agreement (the "Roll-up Agreement") with PRIMESTAR Partners L.P. ("Primestar") and the affiliates of each of the other partners of Primestar, including TCI Satellite Entertainment, Inc. ("TSAT"), a publicly-traded company. Primestar, in which the Company holds a 10.4% general and limited partnership interest, is principally engaged in the business of acquiring, originating and/or providing television programming services delivered by satellite through a network of distributors, including the Company, throughout the United States. The Roll-up Agreement sets forth the principal terms and conditions of a proposed transaction (the "Roll-up Transaction"), through which the Company's direct broadcast satellite ("DBS") operations, Primestar and the Primestar-related distribution businesses of the other partners of Primestar will be consolidated into a newly-formed publicly-traded company ("New Primestar"). In connection with the Roll-up Transaction, TSAT will become a wholly owned subsidiary of New Primestar. The Company provided DBS services, through a distributorship arrangement with Primestar, to 169,000 subscribers as of September 30, 1997.

New Primestar will acquire the Primestar partnership interests, subscribers and related assets, as applicable, of the parties to the Roll-up Transaction, in exchange for (i) cash, (ii) shares of Series A Common Stock of New Primestar and (iii) shares of Series C Common Stock of New Primestar, in each case in an amount determined pursuant to the Roll-up Agreement. The Company will have the right to continue to market and support the Primestar programming services on an agency basis after consummation of the Roll-up Transaction; however, the terms of such arrangement have not yet been determined. Under the terms of the Roll-up Agreement, upon closing of the Roll-up Transaction, the Company is expected to receive approximately \$75 million in cash and to own approximately 10% of New Primestar common equity, both subject to adjustment based on the number of subscribers, inventory amounts and other factors. As of September 30, 1997, assets of the Company's DBS operations totaled \$149.4 million.

In June 1997, Primestar entered into an agreement with The News Corporation Limited, MCI Telecommunications Corporation and American Sky Broadcasting LLC ("ASkyB"), pursuant to which New Primestar (or, under certain circumstances, Primestar) will acquire certain assets relating to a high-power, DBS business. In exchange for such assets, ASkyB will receive non-voting securities of New Primestar that will be convertible into non-voting common stock of New Primestar and, accordingly, will reduce the Company's common equity interest in New Primestar to approximately 7% on a fully diluted basis, subject to adjustment.

These transactions are not conditioned on each other and may close independently. They are expected to close in 1998, subject to receipt of all necessary governmental and regulatory approvals, including the approval of the Federal Communications Commission. There can be no assurance that such approvals will be obtained.

@Home. In July 1997, At Home Corporation ("@Home"), an investee of the Company previously accounted for under the equity method, completed an initial public offering of its Series A Common Stock (the "@Home IPO"). @Home provides Internet services to customers and businesses over the cable television infrastructure in a limited number of cities in the United States. Effective July 1, 1997, due to the dilution of the Company's equity and voting interests and

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other factors subsequent to the @Home IPO, the Company has discontinued the equity method of accounting for its investment in @Home. As of September 30, 1997, the Company holds 8.0 million contractually restricted shares (the "Restricted Shares") and 6.6 million unrestricted shares (the "Unrestricted Shares") of @Home Series A Common Stock (the "@Home Series A Stock"), representing a 12.4% and a 5.7% equity and voting interest, respectively. The Company has recorded the Restricted Shares at their historical cost of \$1.1 million and the Unrestricted Shares, which are classified as available for sale, at their estimated fair market value of \$151.5 million, based on the quoted market price of the @Home Series A Stock as of September 30, 1997. The unrealized pre-tax gain as of September 30, 1997 of \$150.6 million has been reported in the Company's condensed consolidated balance sheet as a component of stockholders' equity, net of related deferred income tax expense of \$52.7 million.

Nextel. At December 31, 1996, the Company held 3.3 million shares of Nextel Communications, Inc. ("Nextel") common stock and options to acquire an additional 25.0 million shares of Nextel common stock at \$16 per share. As of December 31, 1996, these options, which had an historical cost of \$20.0 million, were included in investments in publicly traded companies at their fair value of \$32.6 million. In February 1997, the Company sold these options to Nextel for \$25.0 million and recognized a pre-tax gain of \$5.0 million, which is included in investment income in the Company's condensed consolidated statement of operations and accumulated deficit for the nine months ended September 30, 1997. In July 1997, the Company sold its 3.3 million shares of Nextel common stock for \$73.4 million, resulting in a pre-tax gain of \$32.2 million, which is included in investment income in the Company's condensed consolidated statement of operations and accumulated deficit for the nine and three months ended September 30, 1997.

In February 1996, in connection with certain preemptive rights of the Company under previously existing agreements with Nextel, the Company purchased 8.16 million shares of Nextel common stock at \$12.25 per share, for \$99.9 million. During the nine and three months ended September 30, 1996, the Company sold 5.6 million shares and 1.2 million shares, respectively, of Nextel common stock for \$105.4 million and \$19.9 million, respectively, and recognized pre-tax gains of \$35.4 million and \$5.8 million, respectively, which are included in investment income in its condensed consolidated statement of operations and accumulated deficit.

Time Warner/TBS. The Company received 1.36 million shares of Time Warner common stock (the "Time Warner Stock") in exchange (the "Exchange") for all of the shares of Turner Broadcasting System, Inc. ("TBS") stock (the "TBS Stock") held by the Company as a result of the merger of Time Warner and TBS in October 1996. As a result of the Exchange, the Company recognized a pre-tax gain of \$47.3 million in the fourth quarter of 1996, representing the difference between the Company's historical cost basis in the TBS Stock of \$8.9 million and the new basis for the Company's investment in Time Warner Stock of \$56.2 million, which was based on the closing price of the Time Warner Stock on the merger date of \$41.375 per share. In December 1996 and January 1997, the Company sold 92,500 shares and 1.27 million shares, respectively, of the Time Warner Stock, representing the Company's entire interest in Time Warner, for \$3.7 million and \$48.6 million, respectively. In connection with the January 1997 sales, the Company recognized a pre-tax loss of \$3.8 million, which is included in investment income in its condensed consolidated statement of operations and accumulated deficit for the nine months ended September 30, 1997. As of December 31, 1996, the 1.27 million shares of Time Warner Stock held by the Company were recorded at their fair value of \$47.4 million and were included in short-term investments in the Company's condensed consolidated balance sheet.

The Company does not have any additional significant contractual commitments with respect to any of its investments. However, to the extent the Company does not fund its investees' capital calls, it exposes itself to dilution of its ownership interests. The Company continually evaluates its existing investments as well as new investment opportunities.

Financing

Other than the Scripps Acquisition, the Company has historically utilized a strategy of financing its acquisitions through senior debt at the acquired operating subsidiary level. Additional financing has also been obtained by the Company through the issuance of subordinated debt at the intermediate holding company and parent company levels and, to some extent, through public offerings of a subsidiary company's stock and debt instruments.

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The Cable Refinancing and the Cellular Refinancing had a significant impact on the maturities of the Company's long-term debt. Maturities of long-term debt outstanding as of September 30, 1997 and December 31, 1996 through 2001 are as follows (dollars in millions):

	As of <u>September 30, 1997</u>	As of <u>December 31, 1996</u>
1997	\$ 71.9 (1)	\$229.5
1998	110.0	671.5
1999	206.3	462.5
2000	305.3	668.1
2001	578.0	1,282.4

(1) Represents maturities of long-term debt for the remaining three months of 1997, which includes \$43.6 million of debt redeemed in October 1997 (see below) and a \$10.0 million optional debt repayment made in October 1997.

As of September 30, 1997 and December 31, 1996, the Company's effective weighted average interest rate on its long-term debt outstanding was 8.26% and 7.68%, respectively.

In June 1997, the Company redeemed all of its outstanding 10% Subordinated Debentures, due 2003 (the "10% Debentures"). An aggregate principal amount of \$139.3 million of the 10% Debentures was redeemed at a redemption price of 100% of the principal amount thereof, together with accrued interest thereon. On the date of redemption, the 10% Debentures had an accreted value of \$127.7 million.

In July 1997, the Company made optional debt repayments aggregating \$527.0 million with existing cash, cash equivalents and short-term investments.

In October 1997, the Company completed the redemption of its \$250.0 million principal amount 3 3/8% / 5 1/2% step up convertible subordinated debentures due 2005 (the "Step Up Debentures"). The Company issued 8.4 million shares of its Class A Special Stock upon conversion of \$206.4 million principal amount of Step Up Debentures while \$43.6 million principal amount of Step Up Debentures was redeemed for cash at a redemption price of 105.58% of the principal amount, together with accrued interest thereon. Stockholders' equity will be increased by the full amount of Step Up Debentures converted plus accrued interest, less unamortized debt acquisition costs. In connection with the redemption of the Step Up Debentures, the Company will expense unamortized debt acquisition costs and incur debt extinguishment costs of approximately \$3.0 million, resulting in an extraordinary loss, net of tax, of approximately \$1.9 million during the fourth quarter of 1997.

In October 1997, a subsidiary of the Company refinanced one of its existing revolving credit facilities with the proceeds from borrowings under a new \$400.0 million credit agreement (the "New Bank Facility") with certain banks. Initial borrowings under the New Bank Facility of \$215.0 million were used principally to repay existing debt. As a result of the refinancing, the Company will expense unamortized debt acquisition costs of approximately \$5.2 million, resulting in an extraordinary loss, net of tax, of approximately \$3.4 million during the fourth quarter of 1997.

As of October 31, 1997, certain subsidiaries of the Company had unused lines of credit of \$1.060 billion. The availability and use of the unused lines of credit is restricted by the covenants of the related debt agreements and to subsidiary general purposes and dividend declaration. The Company continually evaluates its debt structure with the intention of reducing its debt service requirements when desirable.

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The following table summarizes the terms of the Company's existing interest rate exchange agreements ("Swaps"), interest rate cap agreements ("Caps") and interest rate collar agreements ("Collars") as of September 30, 1997 and December 31, 1996 (dollars in millions):

	<u>Notional Amount</u>	<u>Maturities</u>	<u>Average Interest Rate</u>	<u>Estimated Fair Value</u>
<u>As of September 30, 1997</u>				
Variable to Fixed Swaps	\$600.0	1998-2000	5.56%	\$6.6
Caps	150.0	1998	6.67%	
Collars	100.0	1997-1998	6.64% / 4.95%	
<u>As of December 31, 1996</u>				
Variable to Fixed Swaps	\$1,080.0	1997-2000	5.85%	\$7.4
Caps	250.0	1997	8.55%	
Collars	620.0	1997-1998	6.98% / 5.16%	0.1

The notional amounts of interest rate agreements, as presented in the above table, are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss. The estimated fair value approximates the proceeds (costs) to settle the outstanding contracts. While Swaps, Caps and Collars represent an integral part of the Company's interest rate risk management program, their incremental effect on interest expense for the nine and three months ended September 30, 1997 and 1996 was not significant.

Concurrent with the announcement of the Scripps Acquisition in October 1995, the Company announced that its Board of Directors authorized a market repurchase program (the "Repurchase Program") pursuant to which the Company could purchase, at such times and on such terms as it deemed appropriate, up to \$500.0 million of its outstanding common equity securities, subject to certain restrictions and market conditions. Based on the trade date for stock repurchases, during the nine months ended September 30, 1997 and 1996 and the three months ended September 30, 1996, the Company repurchased 2.3 million shares, 10.1 million shares and 3.6 million shares, respectively, of its common stock for aggregate consideration of \$36.2 million, \$173.4 million and \$56.8 million, respectively, pursuant to the Repurchase Program. During the term of the Repurchase Program, which terminated on May 13, 1997, the Company repurchased a total of 13.5 million shares of its common stock for aggregate consideration of \$228.6 million.

As part of the Repurchase Program, the Company sold put options on shares of its Class A Special Stock. Put options on 4.0 million shares, sold by the Company during 1996 and 1995 and outstanding at December 31, 1996, expired unexercised during the first quarter of 1997. Upon expiration, the Company reclassified \$69.6 million, the amount it would have been obligated to pay to repurchase such shares had the put options been exercised, from common equity put options to additional capital in the Company's condensed consolidated balance sheet.

As part of the Repurchase Program, in April 1997, the Company sold put options on 2.0 million shares of its Class A Special Stock. The put options give the holder the right to require the Company to repurchase such shares at \$15.68 per share on specific dates in April and May 1998. The amount the Company would be obligated to pay to repurchase such shares upon exercise of the put options, totaling \$31.4 million, has been reclassified from additional capital to common equity put options in the Company's September 30, 1997 condensed consolidated balance sheet.

Following the Scripps Acquisition, the Company no longer had a stockholders' deficiency. However, the Company expects to continue to recognize significant losses for the foreseeable future, resulting in decreases in stockholders' equity. The telecommunications industry, including cable and cellular communications, and the electronic retailing industry are experiencing increasing competition and rapid technological changes. The Company's future results of operations will be affected by its ability to react to changes in the competitive environment and by its ability to implement new technologies. However, the Company believes that competition, technological changes and its significant losses will not significantly affect its ability to obtain financing.

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The Company believes that it will be able to meet its current and long-term liquidity and capital requirements, including fixed charges, through its cash flows from operating activities, existing cash, cash equivalents, short-term investments and lines of credit and other external financing.

Statement of Cash Flows

Cash and cash equivalents increased \$242.3 million as of September 30, 1997 from December 31, 1996 and decreased \$112.9 million as of September 30, 1996 from December 31, 1995. Changes in cash and cash equivalents resulted from cash flows from operating, financing and investing activities which are explained below.

Net cash provided by operating activities amounted to \$742.1 million and \$527.3 million for the nine months ended September 30, 1997 and 1996, respectively. The increase of \$214.8 million is principally due to the increase in the Company's operating income before depreciation and amortization (see "Results of Operations"), including the effects of the Scripps Acquisition, and changes in working capital as a result of the timing of receipts and disbursements.

Net cash provided by (used in) financing activities was \$345.3 million and (\$19.2) million for the nine months ended September 30, 1997 and 1996, respectively. During the nine months ended September 30, 1997, the Company borrowed \$2.968 billion, including the Cable Notes of \$1.691 billion, the Cellular Notes of \$998.4 million, the Disney Notes of \$132.8 million and borrowings under its existing lines of credit, and repaid \$3.518 billion of its long-term debt, including \$1.665 billion relating to the Cable Refinancing, \$981.8 million relating to the Cellular Refinancing, \$139.3 million relating to the redemption of the 10% Debentures and \$527.0 million of optional debt repayments made in July 1997. Deferred financing costs of \$43.8 million were incurred during the nine months ended September 30, 1997 related to the issuance of the Cable Notes and the Cellular Notes. In addition, during the nine months ended September 30, 1997, the Company received \$1.0 billion from Microsoft for the issuance of its Class A Special Stock and Series B Preferred Stock and repurchased \$33.6 million of its common stock. During the nine months ended September 30, 1996, the Company borrowed \$660.4 million under its existing lines of credit and repaid \$486.7 million, including the effects of refinancings and \$88.9 million of repayments under a vendor financing arrangement. In addition, the Company repurchased \$171.2 million of its common stock during the nine months ended September 30, 1996.

Net cash used in investing activities was \$845.1 million and \$621.0 million for the nine months ended September 30, 1997 and 1996, respectively. During the nine months ended September 30, 1997, net cash used in investing activities includes acquisitions, net of cash acquired, of \$136.1 million, including the E! Acquisition of \$118.7 million, investments in affiliates of \$180.3 million and capital expenditures of \$682.0 million, offset by the proceeds from the sales of short-term and long-term investments and a distribution from an investee of \$171.5 million and Sprint PCS' repayment of a \$25.2 million loan. During the nine months ended September 30, 1996, net cash used in investing activities includes investments in affiliates of \$447.6 million, including \$159.5 million in connection with the Sports Venture Acquisition, capital contributions to Sprint PCS of \$100.7 million and the purchase of Nextel shares of \$99.9 million, and capital expenditures of \$450.2 million, offset by proceeds from the sale of short-term and long-term investments of \$381.8 million, including \$105.4 million from the sale of Nextel shares.

Results of Operations

The effects of the Company's recent acquisitions, as well as increased levels of capital expenditures, were to increase significantly the Company's revenues and expenses resulting in substantial increases in its operating income before depreciation and amortization, depreciation expense, amortization expense and interest expense. In addition, the Company's equity in net losses of affiliates has increased principally as a result of the start-up nature of certain of the Company's equity investees (see "Operating Results by Business Segment" and "Consolidated Analysis"). As a result of the increases in depreciation expense, amortization expense, interest expense and equity in net losses of affiliates, it is expected that the Company will continue to recognize significant losses for the foreseeable future.

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Summarized consolidated financial information for the Company for the nine and three months ended September 30, 1997 and 1996 is as follows (dollars in millions, "NM" denotes percentage is not meaningful):

	Nine Months Ended September 30,		Increase / (Decrease)	
	1997	1996	\$	%
Revenues	\$3,519.5	\$2,870.9	\$648.6	22.6%
Cost of goods sold from electronic retailing	867.2	774.7	92.5	11.9
Operating, selling, general and administrative expenses ..	<u>1,586.2</u>	<u>1,234.2</u>	352.0	28.5
Operating income before depreciation and amortization (1)	1,066.1	862.0	204.1	23.7
Depreciation	341.7	219.7	122.0	55.5
Amortization	<u>362.0</u>	<u>271.3</u>	90.7	33.4
Operating income	<u>362.4</u>	<u>371.0</u>	(8.6)	(2.3)
Interest expense	422.8	403.7	19.1	4.7
Investment income	(133.1)	(63.7)	69.4	NM
Equity in net losses of affiliates	212.1	89.2	122.9	NM
Gain from equity offering of affiliate		(40.6)	(40.6)	NM
Other	13.4	22.6	(9.2)	(40.7)
Income tax expense	45.4	33.9	11.5	33.9
Minority interest	(66.8)	(47.4)	19.4	40.9
Extraordinary items	<u>(25.9)</u>	<u>(1.0)</u>	24.9	NM
Net loss	<u>(\$157.3)</u>	<u>(\$27.7)</u>	\$129.6	NM

	Three Months Ended September 30,		Increase / (Decrease)	
	1997	1996	\$	%
Revenues	\$1,204.2	\$974.6	\$229.6	23.6%
Cost of goods sold from electronic retailing	297.2	262.3	34.9	13.3
Operating, selling, general and administrative expenses ..	<u>542.0</u>	<u>416.5</u>	125.5	30.1
Operating income before depreciation and amortization (1)	365.0	295.8	69.2	23.4
Depreciation	120.2	77.0	43.2	56.1
Amortization	<u>121.1</u>	<u>89.7</u>	31.4	35.0
Operating income	<u>123.7</u>	<u>129.1</u>	(5.4)	(4.2)
Interest expense	143.9	135.7	8.2	6.0
Investment income	(44.5)	(16.2)	28.3	NM
Equity in net losses of affiliates	85.9	28.9	57.0	NM
Other	9.0	(0.3)	9.3	NM
Income tax expense	8.5	9.3	(0.8)	(8.6)
Minority interest	(27.0)	(18.4)	8.6	46.7
Extraordinary items	<u>(3.1)</u>		3.1	NM
Net loss	<u>(\$55.2)</u>	<u>(\$9.9)</u>	\$45.3	NM

- (1) Operating income before depreciation and amortization is commonly referred to in the Company's businesses as "operating cash flow." Operating cash flow is a measure of a company's ability to generate cash to service its obligations, including debt service obligations, and to finance capital and other expenditures. In part due to the capital intensive nature of the Company's businesses and the resulting significant level of non-cash depreciation expense and amortization expense, operating cash flow is frequently used as one of the bases for comparing businesses in the Company's industries. Operating cash flow does not purport to represent net income or net cash

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provided by operating activities, as those terms are defined under generally accepted accounting principles, and should not be considered as an alternative to such measurements as an indicator of the Company's performance. See "Statement of Cash Flows" above for a discussion of net cash provided by operating activities.

Operating Results by Business Segment

Domestic Cable Communications

As a result of the Scripps Acquisition, the Company commenced consolidating the financial results of Scripps Cable effective November 1, 1996. The following table presents actual financial information for the nine and three months ended September 30, 1997 and pro forma financial information for the nine and three months ended September 30, 1996 as if the Scripps Acquisition occurred on January 1, 1996. Pro forma financial information is presented herein for purposes of analysis and may not reflect what actual operating results would have been had the Company owned Scripps Cable since January 1, 1996 (dollars in millions):

	Nine Months Ended September 30,		\$	Increase %
	1997	1996		
Service income	\$1,537.0	\$1,398.3	\$138.7	9.9%
Operating, selling, general and administrative expenses	<u>812.4</u>	<u>722.3</u>	<u>90.1</u>	12.5
Operating income before depreciation and amortization (a)	<u>\$724.6</u>	<u>\$676.0</u>	<u>\$48.6</u>	7.2%

	Three Months Ended September 30,		\$	Increase %
	1997	1996		
Service income	\$515.1	\$469.2	\$45.9	9.8%
Operating, selling, general and administrative expenses	<u>267.2</u>	<u>242.9</u>	<u>24.3</u>	10.0
Operating income before depreciation and amortization (a)	<u>\$247.9</u>	<u>\$226.3</u>	<u>\$21.6</u>	9.5%

(a) See footnote (1) on page 26.

Of the respective \$138.7 million and \$45.9 million increases in service income for the nine and three month periods from 1996 to 1997, \$28.7 million and \$9.1 million are attributable to subscriber growth, \$94.2 million and \$32.9 million relate to changes in rates and \$15.8 million and \$3.9 million relate to other product offerings.

Of the respective \$90.1 million and \$24.3 million increases in operating, selling, general and administrative expenses for the nine and three month periods from 1996 to 1997, \$20.9 million and \$3.8 million are attributable to increases in the costs of cable programming as a result of subscriber growth, additional channel offerings and changes in rates, \$16.1 million and \$5.0 million are attributable to increases in costs associated with customer service and \$53.1 million and \$15.5 million result from increases in the cost of labor, other volume related expenses and costs associated with new product offerings. It is anticipated that the Company's cost of cable programming will increase in the future as cable programming rates increase and additional sources of cable programming become available.

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Electronic Retailing

The following table sets forth operating results for the Company's electronic retailing segment, consisting of the operations of QVC, Inc. and its subsidiaries ("QVC"), a majority owned and controlled subsidiary of the Company (dollars in millions):

	Nine Months Ended September 30,		Increase	
	1997	1996	\$	%
Net sales from electronic retailing	\$1,438.0	\$1,286.9	\$151.1	11.7%
Cost of goods sold from electronic retailing	867.2	774.7	92.5	11.9
Operating, selling, general and administrative expenses	339.9	303.6	36.3	12.0
Operating income before depreciation and amortization (a)	<u>\$230.9</u>	<u>\$208.6</u>	<u>\$22.3</u>	10.7%
Gross margin	39.7%	39.8%		

	Three Months Ended September 30,		Increase	
	1997	1996	\$	%
Net sales from electronic retailing	\$490.6	\$431.1	\$59.5	13.8%
Cost of goods sold from electronic retailing	297.2	262.3	34.9	13.3
Operating, selling, general and administrative expenses	117.1	99.6	17.5	17.6
Operating income before depreciation and amortization (a)	<u>\$76.3</u>	<u>\$69.2</u>	<u>\$7.1</u>	10.3%
Gross margin	39.4%	39.2%		

(a) See footnote (1) on page 26.

The respective increases in net sales from electronic retailing of \$151.1 million and \$59.5 million for the nine and three month periods from 1996 to 1997 are primarily attributable to the effects of 7.2% and 7.5% increases, respectively, in the average number of homes receiving QVC services in the United States and 14.1% and 14.7% increases, respectively, in the average number of homes receiving QVC services in the United Kingdom.

The increases in cost of goods sold from electronic retailing are primarily related to the growth in net sales. The changes in gross margin from 1996 to the same periods in 1997 are a result of changes in product mix.

Of the respective increases in operating, selling, general and administrative expenses of \$36.3 million and \$17.5 million for the nine and three month periods from 1996 to 1997, \$21.0 million and \$7.4 million are primarily attributable to start-up costs incurred by QVC in Germany, which began operations in the fourth quarter of 1996. The remaining increases of \$15.3 million and \$10.1 million are primarily attributable to higher sales volume offset, in part, by the reduction in expenses realized upon consolidation of QVC's multichannel operations and an increase in net finance fee income from credit card operations for the nine month period from 1996 to 1997.

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Cellular Communications

The following table sets forth the operating results for the Company's cellular communications segment (dollars in millions):

	Nine Months Ended September 30,		Increase/(Decrease)	
	1997	1996	\$	%
Service income	\$335.4	\$317.1	\$18.3	5.8%
Operating, selling, general and administrative expenses	195.4	198.3	(2.9)	(1.5)
Operating income before depreciation and amortization (a)	<u>\$140.0</u>	<u>\$118.8</u>	<u>\$21.2</u>	17.8%

	Three Months Ended September 30,		Increase	
	1997	1996	\$	%
Service income	\$115.1	\$110.0	\$5.1	4.6%
Operating, selling, general and administrative expenses	63.7	62.3	1.4	2.2
Operating income before depreciation and amortization (a)	<u>\$51.4</u>	<u>\$47.7</u>	<u>\$3.7</u>	7.8%

(a) See footnote (1) on page 26.

Of the respective \$18.3 million and \$5.1 million increases in service income for the nine and three month periods from 1996 to 1997, \$16.9 million and \$2.3 million are attributable to the Company's subscriber growth and \$11.9 million and \$4.6 million are attributable to roamer growth. Offsetting these increases are decreases of \$10.5 million and \$1.8 million resulting primarily from a reduction in the average rate per minute of use as a result of promotional and/or free minutes.

The \$2.9 million decrease in operating, selling, general and administrative expenses for the nine month period from 1996 to 1997 is primarily attributable to expense reductions achieved through implementation of fraud management programs, improved bad debt experience as a result of stronger credit procedures and a reduction in commission costs resulting from fewer gross sales in 1997 as compared to the same period in 1996. The \$1.4 million increase in operating, selling, general and administrative expenses for the three month period from 1996 to 1997 is primarily attributable to an increase in the number of cellular retail stores in 1997 as compared to the same period in 1996, partially offset by expense reductions achieved through implementation of fraud management programs and improved bad debt experience as a result of stronger credit procedures.

Consolidated Analysis

The respective \$122.0 million and \$43.2 million increases in depreciation expense for the nine and three month periods from 1996 to 1997 are primarily attributable to the effects of the Scripps Acquisition and the effects of capital expenditures. Depreciation expense for the nine months ended September 30, 1997 includes the effects of the final purchase price allocation relating to the Scripps Acquisition.

The respective \$90.7 million and \$31.4 million increases in amortization expense for the nine and three month periods from 1996 to 1997 are primarily attributable to the effects of the Scripps Acquisition. Amortization expense for the nine months ended September 30, 1997 includes the effects of the final purchase price allocation relating to the Scripps Acquisition.

The respective \$19.1 million and \$8.2 million increases in interest expense for the nine and three month periods from 1996 to 1997 are attributable to increased levels of debt and changes in the Company's weighted average interest rate. The Company anticipates that, for the foreseeable future, interest expense will be a significant cost to the Company and

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will have a significant adverse effect on the Company's ability to realize net earnings. The Company believes it will continue to be able to meet its obligations through its ability both to generate operating income before depreciation and amortization and to obtain external financing.

The respective \$69.4 million and \$28.3 million increases in investment income for the nine and three month periods from 1996 to 1997 are primarily attributable to the gains recognized in 1997 on the sales of Nextel common stock and TCGI Class A stock, offset by the gains recognized in 1996 on the sales of Nextel common stock.

The respective \$122.9 million and \$57.0 million increases in equity in net losses of affiliates for the nine and three month periods from 1996 to 1997 are primarily due to the effects of increased losses incurred by Sprint PCS, TCGI, the UK Investees and certain of the Company's other equity investees, and the effects of the E! Acquisition (see below) and the Sports Venture Acquisition. Based on Sprint PCS' current operations and business plan, the Company anticipates that its proportionate share of Sprint PCS' losses will be significant in future periods. In addition, as a result of the E! Acquisition, the Company recorded a charge representing the cumulative amount that would have been recorded had the Company accounted for its investment in E! Entertainment under the equity method since the date of initial investment (the "Cumulative Charge"). Since the Company's proportionate share of E! Entertainment's cumulative losses was in excess of the Company's historical cost basis in E! Entertainment and as the Company was under no contractual obligation to fund the losses of E! Entertainment, the Cumulative Charge was limited to the Company's historical cost basis of \$12.1 million. Such amount is included in equity in net losses of affiliates in the Company's condensed consolidated statement of operations and accumulated deficit for the nine months ended September 30, 1997 as it is not significant for restatement of the Company's prior year financial statements.

Gain from equity offering of affiliate for the nine months ended September 30, 1996 represents the TCGI IPO Gain.

The respective \$9.2 million decrease and \$9.3 million increase in other expenses for the nine and three month periods from 1996 to 1997 are primarily attributable to the settlement of certain litigation during the nine months ended September 30, 1996 and the effects of fluctuations in the foreign currency exchange rate.

The \$11.5 million increase in income tax expense for the nine month period from 1996 to 1997 is primarily a result of an increase in state income tax expense due to increases in the net income of certain of the Company's subsidiaries, increases in non-deductible foreign losses and equity in net losses of affiliates and increased goodwill amortization resulting from the Scripps Acquisition, offset by the effect of the increase in the Company's loss before income tax expense, minority interest and extraordinary items.

The \$19.4 million and \$8.6 million increases in minority interest for the nine and three month periods from 1996 to 1997 are primarily attributable to the effects of changes in the net income (loss) of QVC and Comcast UK Cable.

Extraordinary items, for the nine and three months ended September 30, 1997, of \$25.9 million or \$.08 per common share and \$3.1 million or \$.01 per common share consist of unamortized debt acquisition costs and debt extinguishment costs of \$39.8 million and \$4.7 million, respectively, net of the related tax benefit of \$13.9 million and \$1.6 million, respectively, incurred principally in connection with the Cable Refinancing, the Cellular Refinancing and the redemption of the 10% Debentures in the second quarter of 1997 and the optional debt repayments made in the third quarter of 1997.

For the nine and three months ended September 30, 1997 and 1996, the Company's distributions from investees and earnings before extraordinary items, income tax expense, equity in net losses of affiliates and fixed charges (interest expense) were \$550.7 million, \$502.6 million, \$186.2 million and \$166.5 million, respectively. Such earnings were adequate to cover the Company's fixed charges, including interest capitalized of \$18.0 million, \$23.3 million, zero and \$8.6 million, of \$440.8 million, \$427.0 million, \$143.9 million and \$144.3 million for the nine and three months ended September 30, 1997 and 1996, respectively. Fixed charges include non-cash interest expense, net of interest capitalized, of \$42.7 million, \$48.1 million, \$13.8 million and \$15.9 million for the nine and three months ended September 30, 1997 and 1996, respectively.

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The Company believes that its losses will not significantly affect the performance of its normal business activities because of its existing cash, cash equivalents and short-term investments, its ability to generate operating income before depreciation and amortization and its ability to obtain external financing.

The Company believes that its operations are not materially affected by inflation.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not party to litigation which, in the opinion of the Company's management, will have a material adverse effect on the Company's financial position, results of operations or liquidity.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits required to be filed by Item 601 of Regulation S-K:

- 10.1* Comcast Corporation 1996 Stock Option Plan, as amended and restated, effective September 16, 1997.
- 10.2* Comcast Corporation 1996 Deferred Compensation Plan, as amended and restated, effective September 16, 1997.
- 10.3* Comcast Corporation 1990 Restricted Stock Plan, as amended and restated, effective September 16, 1997.
- 10.4* Comcast Corporation 1996 Cash Bonus Plan, as amended and restated, effective May 30, 1997.
- 10.5* Comcast Corporation 1997 Deferred Stock Option Plan, effective September 16, 1997.
- 27.1 Financial Data Schedule.

(b) Reports on Form 8-K:

- (i) Comcast Corporation filed a Current Report on Form 8-K under Item 5 on July 3, 1997 relating to the completion of the \$1 billion investment by Microsoft Corporation in Comcast Corporation.

* Constitutes a management contract or compensatory plan or arrangement.

COMCAST CORPORATION AND SUBSIDIARIES
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SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMCAST CORPORATION

/s/ LAWRENCE S. SMITH

Lawrence S. Smith
Executive Vice President
(Principal Accounting Officer)

Date: November 14, 1997

Exhibit D

COMCAST MANAGEMENT BIOGRAPHIES

Ralph J. Roberts -- Chairman of the Board and Chief Executive Officer, Comcast Corporation. Starting with the purchase of a single cable television system in Tupelo, Mississippi in 1963, Mr. Roberts turned Comcast Corporation into one of the largest cable television companies in the world. His entrepreneurial endeavors have brought him many awards including the distinguished Vanguard Award for Leadership from the National Cable Television Association and induction into the Broadcasting & Cable Hall of Fame. Roberts graduated from the Wharton School of the University of Pennsylvania.

Brian L. Roberts -- President, Comcast Corporation. Mr. Roberts has served as a Director and President of Comcast Corporation for more than five years. He has also served as Chairman of the National Cable Television Association; Vice Chairman of the Walter Kaitz Foundation, a non-profit organization which trains minorities for employment in the cable television industry; and a director and executive committee member of CableLabs, a non-profit organization dedicated to technology research and development for the cable television industry. Prior to being named President, Roberts spent eight years in various management positions with Comcast. He is a graduate of the Wharton School of Finance at the University of Pennsylvania.

Lawrence S. Smith -- Executive Vice President, Comcast Corporation. Mr. Smith joined Comcast in 1988 with responsibility for financial administration and corporate accounting. He previously served as Chief Financial Officer of Advanta Corporation, a financial services firm with assets of \$1.28 billion, and was a tax partner in the Philadelphia office of Arthur Anderson & Co., with which he was affiliated for 18 years. In addition to being a tax partner at Arthur Anderson and Co., he was responsible for the Philadelphia international business practice and the merger and acquisition practice. Mr. Smith is a 1969 graduate of Ithaca College.

Stanley L. Wang -- Senior Vice President, Secretary and General Counsel, Comcast Corporation. Mr. Wang is responsible for the legal affairs of Comcast and its Cable, Cellular, Telephone, Satellite and International Divisions. Prior to joining Comcast in January 1981, he had been an attorney and partner in the Newark, New Jersey law firm of Meyner & Landis since 1968. Mr. Wang is a 1962 graduate of Rutgers College, graduated in 1965 from New York University School of Law where he served as an Editor of the Law Review, completed a judicial clerkship in New Jersey in 1966 and served as a contract officer in the U.S. Army during the period 1966 to 1968.

William G. Kingsley -- Vice President - Telecommunications Businesses, Comcast Cable. Mr. Kingsley joined Comcast Corporation in June 1993 as Director - Telecommunications Businesses. In September 1995, he assumed his current position. Prior to joining Comcast, Mr. Kingsley held product and business development positions at GTE Mobile Communications and Contel Corporation. Mr. Kingsley devotes a substantial portion of his time to Comcast Telephony Communications, Inc. Mr. Kingsley received a B.S. in Business Administration from Lynchburg College and an M.A. in Telecommunications from George Washington University.

William R. Goetz, Jr. -- Regional Senior Vice President Southeast Region, Comcast Cable. Mr. Goetz heads overall operations of Comcast Cable's Southeast Region serving over 850,000 customers in portions of Florida, South Carolina and Tennessee. Goetz came to Comcast Cable as a Controller in 1981, then served as a General Manager, and later assumed the post of Vice President/General Manager of the Philadelphia, Pennsylvania system, in 1985. Goetz entered his current position as Regional Senior Vice President Southeast Region in 1989. He received his Bachelor of Science degree in Engineering/Marketing from the State University of New York, College of Environmental Science, and his Masters of Science in Accounting from Syracuse University.

Susan L. Reinhold -- Vice President of Engineering Southeast Region, Comcast Cable. Ms. Reinhold is responsible for leading the engineering and technical operations for Comcast Cable's Southeast Region, covering Florida, Tennessee, and Charleston, South Carolina. Reinhold also promotes and ensures the continuity of video, voice and data communications in new markets. She has broad telecommunications experience in projects ranging from advanced digital switching systems, operations support systems, network planning, engineering network facilities operations and radio and microwave engineering. Reinhold received her Bachelors of Science degree in Engineering from the University of Wisconsin, as well as her Masters of Business Administration from the University of Madison. She is a licensed Professional Engineer.

Gary E. Waterfield -- General Manager, Greater Charleston Area, Comcast Cable. Mr. Waterfield leads over 160 Charleston area employees in customer service, technical operations, advertising sales, marketing, new business development and construction. He has been with Comcast since the company purchased Storer Cable in 1989, and he held various management positions with Comcast Cable in southwest Florida prior to moving to Charleston in 1994. While in Florida, Waterfield was responsible for consolidating the customer service operations of three separate systems into one integrated call center. He is a member of the Board of Directors of the South Carolina Cable Television Association -- an industry group that furthers the telecommunications interests of cable television companies and their subscribers. Waterfield received his Bachelor of Science degree in Business Administration from the University of New Hampshire in Durham, N.H.

Daniel K. Sanders -- Manager of Network Technology, Greater Charleston Area, Comcast Cable. Mr. Sanders oversees all aspects of the Charleston area digital communications and fiber network from the headend to Optical Transitional Node ("OTN"). He is responsible for the network design/architecture, network status monitoring, LAN/WAN design, implementation, support and maintenance, and he also ensures network integrity. Sanders has expertise in PCS Network Planning, OMCR maintenance, PCS technical system overviews, RF field testing and measurements, and various RF data collections and analysis. He has a Bachelors of Science degree in Electrical Engineering from the University of South Carolina in Columbia, and a Master of Science Degree in Electrical Engineering from the Georgia Institute of Technology in Atlanta.

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COLUMBIA, SOUTH CAROLINA

HEARING #9790

MAY 14, 1998

2:30 P.M.

DOCKET NO. 98-054-²COMCAST TELEPHONY COMMUNICATIONS OF SOUTH CAROLINA, INC. — Application for a Certificate of Public Convenience and Necessity to Provide Competitive Local Exchange, Private Line and Special Access Services in those Portions of the State of South Carolina Served by BellSouth Telecommunications South Carolina, Inc..

HEARING BEFORE: Chairman Guy Butler, Presiding; Vice Chairman Philip T. Bradley; and Commissioners Rudolph Mitchell, Cecil A. Bowers, Warren D. Arthur, IV, William "Bill" Saunders, and C. Dukes Scott.

STAFF: James M. McDaniel and Colanthia I. Alvarez, Utilities Department; Florence P. Belser, Esq., Staff Counsel; and MaryJane Cooper, Hearing Reporter.

APPEARANCES: Robert D. Coble, Esq., representing COMCAST TELEPHONY COMMUNICATIONS OF SOUTH CAROLINA, INC. **Applicant.**

No one appeared in opposition to the Application.

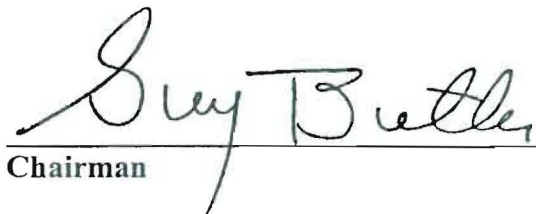
DISPOSITION: The above Hearing was held at the above date and time, whereupon testimony was presented by one witness on behalf of the Applicant, with cross-examination following. No Hearing Exhibits were offered into evidence. There being nothing further to come before the Commission at this time, the Hearing was then adjourned at approximately **2:40 P.M.**, the Commission taking the matter under advisement.

THE ABOVE MINUTES HAVE BEEN READ AND APPROVED.

ATTEST:



Executive Director



Chairman